Why worry about predicting politics?
Why worry about predicting politics?

Microsoft

Birnbaum 2007
Why worry about predicting politics?

Microsoft

1975: Two Guys in a Garage


Birnbaum 2007
Why worry about predicting politics?

Microsoft
1975: Two Guys in a Garage
1995: Over $4.5 billion in revenue

Birnbaum 2007
Why worry about predicting politics?

*The Road Ahead*

276 pages
Why worry about predicting politics?

The Road Ahead

276 pages

3 pages on politics
Why worry about predicting politics?

**The Road Ahead**

276 pages

3 pages on politics

0 mentions of antitrust
Why worry about predicting politics?

In 1995, Microsoft employs 1 lobbyist
(“Jack and his Jeep”)

(Peascuterez 1998)
Why worry about predicting politics?

In 1995, Microsoft employs 1 lobbyist (“Jack and his Jeep”)

In 1998, U.S. Department of Justice files antitrust lawsuit against Microsoft. Industry insiders believe lawsuit was avoidable.

(Peascuterez 1998)
Why worry about predicting politics?

Gates: I was “naïve” about politics. “Microsoft’s competitors have made savvy use of Washington politics to spur government action....[Microsoft needs to] spend more time on political ‘outreach’.”

(Corcoran 1998, C11)
Why worry about predicting politics?

Predicting the nature of political competition allows an organization to mobilize political resources effectively.
Why worry about predicting politics?

Predicting the nature of political competition allows an organization to mobilize political resources effectively.

The Lowi-Wilson Typology facilitates prediction...
The Lowi-Wilson Matrix

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What is it?
What is it?
The Lowi-Wilson Matrix is...
...a categorization scheme
The Lowi-Wilson Matrix

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Same Technology as You Have in the Garage!

- ¼'' Screws
- ¼'' Nails
- ¼'' Wash.
- ½'' Nails
- ½'' Wash.
- ½'' Screws
- ¾'' Nails
- ¾'' Wash.
- 1'' Screws
- ¾'' Nails
- ¾'' Wash.
- 1 ¼'' Screws
- 1 ¼'' Nails
- 1 ¼'' Wash.
Same Technology as You Have in the Garage!

Rows Denote First Dimension
Same Technology as You Have in the Garage!

Rows Denote First Dimension

Columns Denote Second Dimension

- ¾” Screws
- ¾” Nails
- ¾” Wash.
- ½” Screws
- ½” Nails
- ½” Wash.
- 1” Screws
- ¾” Nails
- ¾” Wash.
- 1 ¼” Screws
- 1 ¼” Nails
- 1 ¼” Wash.
What is it?

The Lowi-Wilson Matrix is...

...a categorization scheme that uses the relative concentration of benefit and harm produced by an issue.
The Lowi-Wilson Matrix

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**Concentrated:**
Per capita benefits or harms are high
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** Diffuse / Widely Distributed: Per capita benefits or harms are low
The Lowi-Wilson Matrix is...

...a categorization scheme that uses the relative concentration of benefit and harm produced by an issue to predict the type/style of political activity that will surround that issue.
## The Lowi-Wilson Matrix

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**Types of politics:**
Who is involved and how are they involved?
What is it?

The Lowi-Wilson Matrix is...

...a categorization scheme that uses the relative concentration of benefit and harm produced by an issue to predict the type/style of political activity that will surround that issue, not the political outcome resulting from that activity.
The Lowi-Wilson Matrix

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Actions, not Outcomes!!
How does it work?
Direct Sale of Wine in Virginia

Following 21st Amendment:

Producers

sell to

Distributors

sell to

Retailers

sell to

Consumers

Baron 2010, p.161
Direct Sale of Wine in Virginia

Following the Internet:

Producers
    sell to
    Distributors
        sell to
        Retailers
            sell to
            Consumers

Baron 2010, p.161
Direct Sale of Wine in Virginia

Following the Internet:

Producers

sell to

Consumers

Baron 2010, p.161
Direct Sale of Wine in Virginia

**Bill 1**
Allow Direct Sales

Harm (Concentrated):
Retailers & Distributors

Benefit (Concentrated):
Producers

**Bill 2**
Ban Direct Sales

Harm (Concentrated):
Producers

Benefit (Concentrated):
Retailers & Distributors

Baron 2010, p.161
Direct Sale of Wine in Virginia

**Bill 1**
Allow Direct Sales

**Harm (Concentrated):**
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**Benefit (Concentrated):**
Producers

**Bill 2**
Ban Direct Sales

**Harm (Concentrated):**
Producers

**Benefit (Concentrated):**
Retailers & Distributors

*Interest Group Politics*

Baron 2010, p.161
The Lowi-Wilson Matrix

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“Boeing in a Pickle”
Before the Economic Recovery Tax Act

Boeing

Foreign Airline

Baron 2010, p.162
“Boeing in a Pickle”

Before the Economic Recovery Tax Act

Boeing

Airplane

Foreign Airline

Baron 2010, p.162
“Boeing in a Pickle”

Before the Economic Recovery Tax Act

Boeing → Airplane → Foreign Airline

$100m

Baron 2010, p.162
“Boeing in a Pickle”

Before the Economic Recovery Tax Act

- **Boeing**
  - $100m

- **Foreign Airline**
  - $100m
  - Airplane

Baron 2010, p.162
“Boeing in a Pickle”

Boeing

Airplane

Lessor

Foreign Airline

After (ERTA)

U.S. Tax Payers

Baron 2010, p.162
“Boeing in a Pickle”

After (ERTA)

Boeing

$120m

Airplane

$120m

Lessor

Foreign Airline

U.S. Tax Payers

Baron 2010, p.162
“Boeing in a Pickle”

After (ERTA)

Boeing
$120m

Foreign Airline

Airplane

$120m

Lessor

$20m

U.S. Tax Payers

Baron 2010, p.162
“Boeing in a Pickle”

After (ERTA)

Boeing
$120m

Foreign Airline

U.S. Tax Payers

$20m

Foreign Airline

Lessor

Airplane

$120m

Leases Airplane

$100m

Baron 2010, p.162
"Boeing in a Pickle"

After (ERTA)

Boeing
$120m

Lessor
$120m

U.S. Tax Payers
$20m

Foreign Airline

Leases Airplane

$100m
“Boeing in a Pickle”

H.R. 3110
Eliminate Investment Tax Credit for Lessor

Harm (Concentrated):
Boeing

Benefits (Diffuse):
Tax Payers

Baron 2010, p.162
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→ Entrepreneurial Politics
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Day Light-Savings

Add an Hour in the Evening

Proponents

- Sporting Goods Industry
- 7 Eleven & Candy Makers
- R.P. Foundation Fighting Blindness
Day Light-Savings

Add an Hour in the Evening

**Proponents**
- Sporting Goods Industry
- 7 Eleven & Candy Makers
- R.P. Foundation Fighting Blindness

**Opponents**
- Parents
- Members of certain religious orders
Day Light-Savings
Add an Hour in the Evening

**Proponents**
- Sporting Goods Industry
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- R.P. Foundation Fighting Blindness

**Opponents**
- Parents
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Client Politics
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Health Care Reform

1. Eliminate “preexisting condition” provisions
2. Reduce out-of-pocket costs
3. Modify Medicare prescription drug coverage
4. Create health insurance market
5. Create health insurance tax credit
6. Create a public health insurance option
7. Mandate health coverage
Health Care Reform

**Those Benefiting**
- Lower income citizens
- Some elderly citizens
- Sufferers of pre-existing conditions
- Children

**Those Harmed**
- Health insurance industry
- Small businesses
- Unions
- Libertarians
# Health Care Reform

**Those Benefiting**
- Lower income citizens
- Some elderly citizens
- Sufferers of pre-existing conditions
- Children

**Those Harmed**
- Health insurance industry
- Small businesses
- Unions
- Libertarians

*Benefits are widely distributed.*
Health Care Reform

Those Benefiting
- Lower income citizens
- Some elderly citizens
- Sufferers of pre-existing conditions
- Children

Those Harmed
- Health insurance industry
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Majoritarian Politics
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Classroom Exercise
Discussion

1. Were any of the bills difficult to categorize?
   → Analyzing politics is an inexact science
   → Key is to “be on the same page”

2. How did categorization influence your non-market strategy?
   → Efficient use of resources requires an organization to forecast political circumstances